IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF PUERTO RICO

MCNEIL-PPC, INC., ET AL.,

Plaintiffs,
vs.

* San Juan, Puerto Rico
* February 26, 2004

MERISANT COMPANY, ET AL.,

Defendants.

* 10:30 a.m.

PRELIMINARY INJUNCTION HEARING

BEFORE THE HONORABLE JAY A. GARCIA-GREGORY, UNITED STATES DISTRICT COURT JUDGE

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COUNSEL FOR DEFENDANTS

GREGG F. LoCASCIO, ESQ. HERIBERTO BURGOS, ESQ.

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* CIVIL 04-1090 (JAG)

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THE COURT CLERK: Civil Case 04- 1090; McNeil-PPC. Inc., et al., v. Merisant Company, for Preliminary

Injunction.

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For plaintiffs, Steven Zalesin, Karla Sanchez, and Dora Peñagaricano. For defendants, Gregg LoCascio and Heriberto Burgos.

THE COURT: Very well.

As we discussed in chambers, we will be taking the we would be swearing in all the witnesses now, except those who are not here, and then all those who are going to be fact witnesses, not experts, shall then wait in the witness room to be called.

And there are also certain motions for pro hac vice admissions in the court, and they are all granted. Okay? And, of course, counsel are welcome.

Shall we have all the witnesses come forward and be sworn in? We have an interpreter here, so...

(Whereupon, seven prospective witnesses are duly sworn by the court clerk.)

THE COURT: Then all the fact witnesses are excused until they are called, and they shall be waiting in the witness room. Or they can wait outside.

MR. LoCASCIO: Your Honor, one of our witnesses, who is fifth, sixth, seventh in the queue, may he go right back to the office right here?

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THE COURT: It's very close --

MR. BURGOS: He will be going to our firm, your

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Honor.

THE COURT: Yes, no problem.

So I will be hearing now the brief opening statements that we discussed in chambers.

MR. ZALESIN: Thank you, your Honor.

Steven Zalesin for the plaintiffs McNeil-PPC, Inc., and Johnson & Johnson Hemisferica, S.A. We appreciate the opportunity to appear before you today.

This is a remarkable case. It's remarkable, I think, because there is really no legitimate question but that the plaintiffs' trade dress, the famous Splenda package, is a protectable trade dress, and there is no legitimate question that there is going to be, and there is already happening. confusion in the marketplace. We have survey evidence of confusion, we have actual instances of confusion, which you will hear about today.

Your Honor asked for some additional briefing on the subject of protectability. I won't go over that in great detail.

In essence, this is a case, your Honor, about product packaging, not about product configuration or design. We are not talking about the actual product, the sugar, the white, powdery stuff or the sugar substitute. We are

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talking simply about the box or the carton in which it comes. And trade dress cases that involve product packaging are very different than trade dress cases that involve product design.

The United States Supreme Court has told us as recently as the year 2000 that ordinarily the primary function of packaging is to identify the source or the brand of the goods. It isn't functional. There could be an instance where, if you have a laundry detergent container and it has a handle that's part of the jug, that handle would be a functional thing. You need the handle to pick it up and pour it. So obviously no one could protect that type of a design.

We are not talking about anything like that. We are talking about the most classic form of trade dress, the design of the exterior package. Ordinarily those will be deemed inherently distinctive, and they should be deemed inherently distinctive in this case.

If you were to determine for any reason that the Splenda trade dress is not inherently distinctive because of its unique design features, then you would also be able to find a likelihood of success -- and that's what we are here about. The preliminary injunction is about whether or not McNeil is likely to succeed on the merits -- you would also be able to find a likelihood of success on the issue of

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trade dress protection under the alternative rubric of secondary meaning.

When we were before you 16 days ago, Merisant raised an objection or argument that there wasn't the type of survey evidence that courts ideally like to see when assessing secondary meaning, a so-called Ever-Ready or a McNeil v. Granutech type design survey. That loophole, to the extent that there was an opening, has completely been closed now. Over the two-week period since the last conference with your Honor, McNeil completed a secondary meaning survey. An expert witness, a very well-known and respected expert, Professor Michael Mazis from American University, designed and supervised that survey. He'll be here to talk about it later this morning. It shows a very. very high recognition rate of the Splenda trade dress among consumers in Puerto Rico, which is important, because that's the market that we are here to talk about.

The other issue on the issue of protectability that the defendants raise in their papers that we didn't brief -because frankly I think it's a rather ridiculous argument, to be frank -- is the issue of functionality.

We have the burden of showing not only that our trade dress is either inherently distinctive or has secondary meaning, but also that it isn't functional. It isn't like the handle on the laundry detergent jug that I referred to a

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moment ago.

And the Supreme Court has told us what it means for something to be functional in the case of Inwood Laboratories v. Ives, 456 U.S. 844 in 1982, where the Supreme Court stated that a functional product feature is one that is, quote, "essential to the use or purpose of the article or that affects the cost or quality of the goods."

And then in a more recent case, the Qualitex case, which involved the protection of colors, the Supreme Court added that the inquiry into functionality turns in part on whether granting protection to a mark, quote, "would permit one competitor to interfere with legitimate non-trademark-related competition through actual or exclusive use of an important product ingredient."

That's the test for functionality. You essentially can't sell the product, or you would have to sell it at a higher price, or it would be less useful to the consumer if you weren't able to use particular trade dress at issue, like a jug, like a handle on a jug for a laundry detergent.

We don't have anything close to that in this case, your Honor. There are dozens of low-calorie or no-calorie sweeteners that are sold in blue packs or red packs or pink packs and don't use yellow or pastel yellow or an overall trade dress that looks anything like the Splenda trade dress

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So to argue that you must use this shade of pastel yellow and various other elements of the Splenda trade dress, it's functional, you can't compete in this market without it, frankly borders on the absurd. It's not a functional issue.

So what does this case come down to? I said before that there really isn't any significant question about confusion. You are going to hear instances where consumers have actually been confused. Not just consumers. People who work in the food service, in the grocery business. People who should know the difference between one product or another have mixed up Splenda and Same because they look so similar.

You are also going to find that in the defendants' own survey, fully 25 percent of consumers who were shown the Same package, the one on the right on your screen, the Same package and only the Same package, and then when they took it away and said, "Well, what other products do you associate with that or what other products are put out by the same company that puts out Same," 25 percent said Splenda. That's a remarkably high confusion number, especially when coming from the defendants' evidence rather than the plaintiffs'.

So we know consumers are going to be confused. We know consumers are already confused.

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So what does Merisant's defense come down to? It comes down to an argument that Merisant is allowed to replicate the Splenda trade dress and confuse consumers because there is another no-calorie sweetener sold in some places that also comes in a yellow box, and it's this product, Sugar Twin.

Your Honor, this is the classic red herring defense. Sugar Twin should not even be an issue in this case. Sugar Twin, for all intents and purposes, does not exist in the Puerto Rico market where it is sold in practically no stores and has a market share of less than one tenth of one percent. It is not advertised, it has not been advertised for the last three and a half years for which data exists. In the United States market, this is a fledgling, obscure brand with very low recognition and a market share of about one percent.

Yes, it was on the market before the Splenda package, but it was a very obscure, little-known brand that McNeil was aware of but thinks, thought at the time and continues to think comes in a neon-yellow package, with solid, dark, bold, blue lettering that isn't confusing with the Splenda package. But in any event, it doesn't exist in the market we are here to talk about. No one in Puerto Rico is familiar with Sugar Twin -- we have no evidence to that effect in this record -- and certainly no one in Puerto Rico

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associates any yellow packaging with the brand Sugar Twin. When same was shown in the defendants' survey to Puerto Rico consumers, hundreds of them, not a single other person said, "Aha, that's Sugar Twin." A silly argument.

So what do we have? We have a case, again, in which we know we have a protectable trade dress, we know there is going to be and already is confusion, and their defense comes down to, "Well, the level of confusion that we are causing, even though it's high, even though it's 25 percent," they claim, based on their survey, "is no worse than it would be if we were to sell Sugar Twin in Puerto Rico."

That's an interesting hypothetical argument, Judge, but it isn't one that you need to waste a lot of time on. because they are not selling Sugar Twin in Puerto Rico, they are selling Same, and they are selling it in a package which is remarkably similar and confusingly similar to the Splenda package.

Sugar Twin, again, is a red herring. For all intents and purposes, it doesn't exist in the Puerto Rico market.

And for all of these reasons, and as the evidence will show, you should grant McNeil's motion for preliminary injunction and force Merisant to stop confusing consumers in Puerto Rico with its new yellow Same trade dress.

Thank you.

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MR. LoCASCIO: Thank you, your Honor. May it please the Court.

May I also introduce my client representative from Merisant. This is Francisco -- my father's name is Francesco, but this is Francisco Javier Cuervo Escalona. He's here from Mexico today. He represents Merisant as well. And Sammy Gonzalez, who you will hear from later as well.

Mr. Zalesin describes this case as one that is much simpler than it is. Mr. Zalesin has essentially in his opening suggested you. A, deem their product inherently distinctive with no one else's. He has said, despite the Lanham Act's specific requirement that product packaging be found nonfunctional, a burden on the plaintiffs, that we should ignore that requirement. And then at last he comes back to what you will remember from chambers on the 10th that 90 or a 100 percent of his case is that he thinks these two boxes look too much alike.

Well, the standard is, is the mark protectable? Is it nonfunctional? And then, is there a likelihood of confusion. If it's not protectable, even if people were confused, it would not be a violation of the Lanham Act. But certainly, if people are actually not confused - and that's what the evidence will show today and tomorrow - and if there is no likelihood of confusion, then protectable or

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1 not, they do not win.

> So let's start at the basics here and look at what the law is and what the standard is

Mr. Zalesin has said they need to show a likelihood of confusion. Well, that's not the law. Here in Puerto Rico in the First Circuit, it is a substantial likelihood of success on the merits. Substantial. Clearly more than preponderance.

Arguably, is it clear and convincing? Where does it fall between 50 and 75 percent? That's for your Honor to determine. But it is certainly more than more likely than not, which would be a standard I suggest they can't beat anyway. But for the extraordinary equitable remedy of granting a preliminary injunction, they need to meet a higher burden.

We have only had two weeks - indeed, last night we got the survey questionnaires from their expert, and I am also anxious to see him on the stand because I think there is going to be some serious credibility issues and some serious methodology issues with the way he went about his secondary meaning survey, which we will talk about, and that's after I guess six hours of review by people this evening or last night.

So we say the burden is a substantial likelihood, and all of those burdens are on the plaintiffs.

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They also have to show the balance of harms, something Mr. Zalesin has entirely ignored. The balance of harms needs to favor the plaintiffs. What is the potential harm ongoing if an injunction is not granted, over here on that side of the scale; over here, what is the harm to Merisant if the injunction is granted. Both financial impact on their business, cost of destroying product, cost of new packaging, but more importantly, reputational. Consumers in the marketplace who buy this brand, who buy the regular Same in the blue package, who buy other Merisant brands, distributors, and then, most importantly, grocery stores, what is their reaction to the injunction. That's the irreparable injury on this side.

So we are back at the first step in their burden, protectability. We briefed this issue. They suggest it's automatically inherently distinctive because it's a package. It's a package, it's inherently distinctive. That is not the standard. It is still their burden.

The First Circuit, in Yankee Candle -- a case that again in their brief I think is not accurately represented -- it's described as a packaging -- I am sorry, as a product configuration case versus a product packaging case.

Mr. Zalesin's argument on protectability comes down to the straw man they have set up that "they are arguing

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product packaging, we are arguing product configuration." That's not the case. We are both here arguing product packaging. They would like a different standard than should apply to apply in this case, so they have set up this straw man in an effort to have an argument that is more successful.

Yankee Candle, First Circuit (2001), talking about labels, is in this part of the brief. We are not talking about what the product itself is shaped like. We are talking about the packaging. As it says in the middle, "detachable labels are a classic case of product packaging."

So to suggest that the First Circuit's *Yankee Candle* decision from '01 is not applicable in this case is contradicted clearly in the opinion itself.

They also talk about Yankee, the plaintiff, saying "the features of the labels constitute an inherently distinctive trade dress." Mr. Zalesin would have you believe that, well, it's a package, so it's automatically inherently distinctive. Deem that, move on.

Unfortunately, the First Circuit said, "We are convinced that the label elements highlighted by Yankee do not meet the inherent distinctiveness test." So obviously this isn't something we should automatically grant, the idea that they have met inherent distinctiveness, simply because it's a package.

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In their brief, they also talk about a case that you've seen on both sides. There is some sweetener law out there, your Honor. This is a case between the people who made at the time Equal, which was Monsanto, and the people who made Sweet'N Low, which they still do, a company called Cumberland Packaging.

In that case there were some arguments about blue packets, pink pickets. "Can you make the pink packet, we are making a pink packet, you make a blue packet, we want to make a blue packet, our box is blue, yours is blue, we've got cups on them." I am sure you've seen it.

In their brief they suggest those common elements can be inherently distinctive. Even though they are not unusual — and let me back up a step back to Yankee Candle. Yankee Candle dealt with the very issue we have here, a combination of functional and common elements. So we have a coffee cup. Well, even from plaintiffs' table, it's fairly clear that coffee cups are not something unique to their product. You can look at almost any sweetener and you are going to find a coffee cup. The same with iced tea.

The First Circuit, in *Yankee Candle:* "Although such a combination may be entitled" — and this was clearly — we are talking about the label, your Honor, not the product — "where such a combination may be entitled to protection where secondary meaning is shown, it is less likely to

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qualify as inherently distinctive. While the particular combination of common features may be, quote, 'arbitrary" -- you put the cup over here, you put the iced tea over there -- "we don't think any reasonable juror could conclude these elements are so unique and unusual that they are source indicative, in the absence of secondary meaning."

So for inherent distinctiveness, I suggest that we are far apart on that issue. The First Circuit Yankee Candle on the defendants are over here (indicating), Mr. Zalesin is over here (indicating) suggesting we just blow right past inherent distinctiveness because it's a package, and that's not what we should do.

THE COURT: Were these candles packaged? MR. LoCASCIO: This is the labels.

THE COURT: The labels on the candles themselves

MR. LoCASCIO: Yes, they are, your Honor -THE COURT: So it was affixed to the product, as

such.

MR. LoCASCIO: It is affixed to the product, but what the Court is talking about here in terms of the protectable trade dress at this point in the opinion is the label. Does the label look too much like someone else's label, not does my candle. It is a candle --

THE COURT: Well, in that case the only thing that could qualify as a trade dress would be the label —

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MR. LoCASCIO: Correct, in this case --THE COURT: -- because the product is the candle. MR. LoCASCIO: Yes, and in this case it's the box, in that case it's the label.

THE COURT: And a series of elements that go with the box.

MR. LoCASCIO: Indeed.

And in that case, common elements were on all these labels, and they were not unusual as to make it inherently distinctive. In this situation, a cup, a picture of an iced tea, and the name. That's on the front of the box, and some color. We will talk about that

The threshold burden that we pointed out in our brief is that they need to clearly identify the trade dress. They come back and say, "We've done that, here's a list." They have given us a list. No one is denying that.

What you heard in Mr. Zalesin's argument and which you can see in their briefs, you can see it in their declarations, they are not really arguing only the trade dress. They are arguing broader than that. They are arguing, "We've got different packages. We've got one here that has -- there's no cup, there's no iced tea. We've got pie and some cereal." That's part of their proposed order. This is part of what they are saying is their Splenda trade dress.

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We also have the suggestion that it's a shade of yellow. We have affiants from the plaintiffs. "I got a packet, the actual sugar packet" - not the box, they never saw the box - "and it's yellow, and this one from Same with sugar is yellow. And, well, that's not right. It's confusing."

So let's - are we talking about the trade dress at issue, which I would suggest is this entire box (indicating) and just this entire box? If they want to go broader. that's fine, your Honor, but then the standard only gets harder for them. If they want to suggest that it's the common elements between all of those, well, now the cup and the iced tea aren't on one box, so what are they really seeking. And that's why the First Circuit has said you need to clearly define the elements of the trade dress, and that's what you need to proceed your case on. You can't define a list and then go forward and say "we want everything yellow because we are the market leader in the vellow box "

Back to sweetener law and whether their box is inherently distinctive. The Sweet'N Low/NutraSweet cases. They say sweeteners commonly feature on their boxes images of a coffee cup, a glass of iced tea, and individually-wrapped paper packets. To suggest that those elements are not descriptive of what their product does or

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is is both contrary to this case and I think contrary to logic. And if you look at the marketplace, cups of coffee. iced tea, packets, you see those on almost every box. So what is inherently distinctive about their package?

In this case the Court found, with respect to Equal, blue boxes, other companies that made a blue box, and Sweet'N Low in the pink boxes, the dominant coloring of those boxes served a functional purpose and doesn't differentiate them from other products.

Mr. Zalesin's brief suggests that this Court, in the case in front of you, in the Eastern District of New York, found those packages inherently distinctive because of the elements, because even though they were common, they were placed in such a way to make this box inherently distinctive. That is wrong. This case actually says the presence of the trademarks prominently displayed as an integral part of the trade dresses is a significant indication of their distinctiveness.

And that's what we have said in our brief. We said you can't have it both ways. If you are saying it's a package without a label on it, like this (indicating), well, then you have a much higher burden, because how is that inherently distinctive? Because you've got common elements, you have an arrangement that is not inherently distinctive. So what it is is the logo, Splenda, registered trademark for

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McNeil and Johnson & Johnson, known to consumers. That's what some of their data shows. If you ask them if they know of Splenda, they say, "Yes, I know Splenda because I buy Equal and I know Splenda is one of its other brands competing with it."

With the name Splenda on the trade dress, if under that situation it's found to be inherently distinctive, then when you got to the likelihood of confusion argument, it is the protection afforded to this box is not nearly as strong.

And then when our box at Merisant has a different brand name, stipulated by all parties, well-known in Puerto Rico, millions of boxes sold, Same - regular Same has been sold here for ten years with that brand name and a logo like that, much longer than Splenda - if we are talking about a box with a logo in order to achieve inherent distinctiveness, Splenda, name and logo, when it comes time to get to confusion, the fact that Same with sugar, the biggest thing you see on this box -- we can go 10 feet, 20 feet, 30 feet -- with all due respect, glasses or no glasses, Same is on here, your Honor.

So now --

THE COURT: Except that the boxes are different because the Same box is taller and the other one is more rectangular.

MR. LoCASCIO: Indeed, your Honor.

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So one of the other factors is how much do these look alike in their overall impression. If you are in the store and you see these on the shelf, you think, "Are these the same product?" That's their argument.

They are suggesting that I can go in the store and

They are suggesting that I can go in the store and think I am picking this box up (indicating) and pick this box up (indicating). Adding to what your Honor points out, this box (indicating) is a lot more expensive than this box (indicating), and that's what this case is really all about, that Splenda is the highest-priced sweetener, and they make a lot of money on Splenda, and if someone else is competing with them, that's not good for their business model.

THE COURT: There is a differential in price?

MR. LoCASCIO: There is significantly, your Honor.

About 15 percent. It's more than a dollar.

THE COURT: Do you think that someone could think, you know, right off the cuff, when you see these two boxes, "Well, you know, Same could be the generic product of Splenda"?

MR. LoCASCIO: Correct.

If someone looks at this and compares on price, as some of their affiants say, "I went to the store" -- well, they don't say "I went." It's "I saw someone go to the store" -- so we've got issues there as to who is really the confused person who is testifying -- "and I compared two

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products, Same with sugar and Splenda, and I chose Same with sugar," for whatever reason, because it actually has sugar in the box and this does not, and they want that for some reason. Perhaps it's because it is the price point. Same with sugar and regular Same have always been in Puerto Rico, a value brand. It is a brand at a lower price point than Splenda. Regular Same is a brand at a lower price point than Equal.

If a consumer is comparing the products, they are obviously not confused into thinking it's the same product, because then there would be nothing to compare. And as you point out, your Honor, whether or not consumers think it's a generic version, a cheaper alternative, an equivalent of Splenda, there are some references in their arguments that people might think what is inside this box (indicating) is technically chemically the same thing as what is inside that box (indicating).

That is not the case. If you look at the ingredients, it says it's not the case. And that is certainly not in violation of the Lanham Act for trademark infringement, which is what this injunction hearing is about. This is confusion as to source. That's all this hearing is about. Not "I'm confused as to what's inside your box."

Do I think this product, Same with sugar, is made by Splenda, is Splenda, or is otherwise affiliated with

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Splenda. That's the standard they need to meet; that's their burden for substantial likelihood.

Your Honor, the issue you raised about generic manufacturers is very on point here. It's also not the first time it's come up for McNeil. McNeil, we would suggest, is — on several issues of laws, as in our brief — judicially estopped from making certain arguments. Judicial estoppel in the First Circuit, you make an argument to a court, you prevail on that argument, you now cannot play, quote, "fast and loose with the courts, nor can you engage in" — the actual quote for your Honor —

THE COURT: It's the *Patriot* science.

MR. LoCASCIO: Exactly, it's the *Patriot* case, your Honor.

And let me show you what McNeil said and won on at the Second Circuit. I am going to have a harder time with this one, I think, your Honor.

"So long" -- let me see if I can get it focused a little better.

"Because McNeil is frequently the market leader, its color patterns have regularly been followed by others.

Generic copies of Tylenol's trade dress appear in nearly every drugstore, typically in Tylenol's familiar white, yellow, and red colors. So long as the generics do not attempt to appropriate Tylenol's trademark, McNeil does not

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challenge such uses of its colors, but recognizes it as an accepted part of competition."

Why were they saying that then? It's because they were on the other side of the table. They were the defendant, they made a box that looked exactly like the plaintiffs, much more so because there are different elements here on ours than their box. They were both the same color. And they said, first off, "Our name's on it. It's across the box, 20 feet away, you see the Tylenol name, and it's well known."

We stipulated the Same name is well known in this case. From 20 feet away it's clearly visible, certainly more than the distance you'd be in an aisle in a grocery store.

They also said, with the name on it, that dispels confusion. But what is protectable about this mark? They are arguing they are the only person that can make the color box blue. That's the case in front of you at the Second Circuit that McNeil won. And they said blue has some functionality here. All the boxes in this genre are blue.

Well, your Honor, there are other yellow boxes, as you have seen before. And let's start chronologically. Domino, a hundred years in a yellow box or bag, for at least the last 40, yellow, blue and white.

And the reason Domino is important in this case is

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they sometimes say Domino is not a competitor with sugar substitutes. You are going to hear from anybody who comes on the stand from McNeil, that's not true. Sugar is one of their primary competitors. Much of McNeil's growth has been convincing people to switch from sugar to Splenda. They market their product in a way that says "made from sugar, tastes like sugar." The message is, this product is close, is, or is otherwise related to sugar, and you should buy it.

Well, part of that message is sent through the color scheme. We haven't gotten any of these documents from McNeil, but I will virtually ensure the Court that when we do, if we are at that point in discovery, somebody at McNeil thought, "What color should we use for Splenda?" The original box wasn't yellow, blue and white. It was white with some blue and some red.

Yellow, blue and white. Well, we have seen that before. Domino. It was also already on the market for more than 40 years than Sugar Twin, whose name is Sugar Twin, after all. There is an association in consumers' minds between yellow, or yellow, blue and white, and sugar. Domino is one of the market leaders in sugar and it has been for a century.

To suggest that yellow on their box is not serving some functional purpose of sending this message that's the target of their ad campaign -- sugar, like sugar, tastes

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like sugar, pours like sugar – I think is both contrary to fact, and what you are going to see, contrary to their own arguments that they have made before as to the protectability and the likelihood of confusion analysis.

Back to secondary meaning, the second burden they've got, a vigorous evidentiary requirement. It's the standard in the cases in the First Circuit in Boston. Beer -- there is only two types of direct evidence for secondary meaning: One, survey evidence.

Well, when they filed their papers, they had some mention that they had a, quote, survey. We have now got that, and it's anything but a secondary meaning survey, which we will look at. But now they have got an expert that came in. And we haven't met him yet. He is going to come here later. I look forward to that opportunity. We got some of the papers from him only yesterday. We got his report. His report was done at the last minute on the day the brief was filed, and it shows. And it shows because we had two weeks, your Honor.

Defendants got a likelihood of confusion survey. Eight hundred people in Puerto Rico were questioned. Plaintiffs only got a secondary meaning survey, which I would suggest, if the standard for confusion is as clear as they suggest, if people were so obviously confused by the source of the product, who wouldn't go out and get a

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likelihood of confusion survey with a huge number, 60, 80, 90 percent. I am going to suggest, your Honor, when you see the defendants' survey doesn't show confusion, query whether a survey was done in the first week and a half of the last two weeks and it wasn't good so we don't see it here today. The same with secondary meaning. The survey we are going to see was done the last three days before the brief was filed, and it's rife with problems.

MR. ZALESIN: Your Honor, I object to that type of speculation by counsel. There is absolutely no basis for that. I will represent that it is completely false. There are no surveys that were done in the case that have not been provided to the other side and are going to be offered in evidence, and it is absolutely improper to suggest that we are hiding some piece of work product that hasn't been done, as counsel just did. That is completely false and is without any foundation.

MR. LoCASCIO: Your Honor, in our findings and conclusions of law and before the Court, before this is over I will come to you with cases that say the plaintiff should certainly have such a survey. Both do it before you file, do it during the interim between your filing date and the injunction hearing. And if they don't come forth with a survey, that's something the Court can consider, because it's a logical conclusion.

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Maybe it wasn't done. Well, that's fine. That's their burden. They haven't met it. Or maybe it was done. And it's the first I've heard that someone confirming it wasn't. But when we see the expert, we will ask him what he did or if he knows if anyone else did anything.

 $\label{thm:court:} \textbf{THE COURT:} \quad \text{Well, you will have an opportunity to explore that.}$

MR. LoCASCIO: Thank you.

The survey itself shows what we talked about with the functionality. People think the box is yellow. Okay, Splenda's box is yellow.

In Puerto Rico, they say they are the market leader and they claim they are the only party that sells a product in a yellow box.

So when you test for secondary meaning, are we testing for it on the box as a whole, or are we testing for it on yellow, which they claim is not the trade dress they were surveying? They say they are not seeking just yellow. Yet their survey shows people are connecting yellow to their box when shown. It's not a shade of yellow, it's not the overall design.

This is what they showed consumers (indicating) to do a secondary meaning survey. Two hundred people. This is their control that they showed a hundred people (indicating). As you can tell, it's not yellow. If we were

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really surveying people, if this box design as a whole has secondary meaning, you would make a control that narrowed it down. The purpose of a control -- their own expert says it -- Mr. Zalesin painfully ignored it during his exam -his opening -- when you do a survey, you have a test and a control.

In this case the control is faulty. It's not yellow. Sure, people are more likely to think this (indicating) is associated with Splenda than this (indicating), but that's not testing for the overall impression of the box. Most of their people who say "I think this is Splenda" say it's

Well, if they want to have a case about whether they have a right to yellow in this market space, that's a much different case than they have presented you with.

When Mr. Zalesin talked about the survey done by defendants, he claimed -- and McNeil, as well as plaintiffs' counsel, know this well enough. A survey has a test and a control, and you subtract the control confusion from the test to determine how many people are in the likelihood-of-confusion group. Otherwise, what is the point of the control. The control is to remove the noise, people who just guess, people who think everything they know is Equal or everything they know is Splenda because that's the product they buy. They are not making a decision based on

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the image of the box.

This was the test. People were shown this box (indicating): "Look at it like you would in a grocery store. Tell me who you think makes it," when it's taken away. "Do you think it's Splenda? Do you think it's associated with any other products you know?"

If people said Splenda, okay. This person thinks this box is associated in some way with Splenda. Fine. Let's net out the confusion.

This is the control (indicating). It's possibly the best control I've ever seen in a case. They admit it's not infringing, so certainly that's one test. The control can't also be infringing.

It has yellow, blue and white. They say it's a different shade of yellow. They say the letters are a different blue. They say it has got an overall different look and feel. Well, okay.

They say Sugar Twin shouldn't be involved in this case? This is the perfect control involved in this case. When people were asked, shown just this box, never saw the Same box with sugar -- they showed them this and said, "Who do you think makes that? Who do you think is associated with that in this market space?" Twenty percent of people said Splenda.

What that shows, and you will hear expert testimony

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on, is that that's the noise level. People who see a yellow box, yellow, blue and white, a cup of coffee, a sweetener box in general, are guessing Splenda. Well, that's the number you subtract from the people who saw this box (indicating) to really determine what is the level, if any, of confusion between the overall impression of this box and the overall impression of a control, and that net is less than five percent.

To suggest that the only survey evidence in this case, defendants', shows that there is a 20 percent likelihood of confusion, both ignores the testimony in the report, ignores every standard of trademark survey law that you have a test and a control and you subtract the control. It is less than five percent. And that's the only survey evidence, because the plaintiffs didn't do any.

And why is the amount of confusion so low? I would suggest the same reason McNeil suggested to the Second Circuit: A, other people use boxes that are yellow; other people use boxes with coffee cups, fruit, iced tea, packets: and ours, that Same with sugar, has the brand name Same. well-known in Puerto Rico, been here for ten years.

To wrap up, your Honor, the suggestion -- I am troubled with the idea that Sugar Twin isn't in any stores, it is not in the market, we can't get it, and it shouldn't have anything to do with this case. This was what was

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attached to the plaintiffs' original motion papers for preliminary injunction. This was the marketplace as they described. I can hand this over, it doesn't show up well on the monitor, your Honor. And their version of the exhibit, probably, I would wager, is a better copy. And it has Same with sugar, it has Same regular, it has Equal, it has Splenda.

And in -- I will admit, I thought we should remove this. I thought there is no way we should put this line in our original brief. We put this line in the brief, and I will put that up for you. I thought, there is no way anyone would try to do that with a picture.

I took it out of my binder, your Honor, so I could show it to you.

We said in this brief - here it is. We said Sugar Twin is a player in the market. McNeil knows it. And we don't know a lot about this picture. They didn't tell us where it was taken. But moreover, given how little information is provided and how the photo is cropped, one can only wonder what other sweeteners are just out of view.

I saw that in the draft and I thought, you are basically suggesting it's possible that Sugar Twin is in this same store. And I wouldn't do that. I didn't think anyone would.

This was in plaintiffs' exhibits (indicating). This

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is the same store. We have the same boxes here. We have the same pie servers there. You can compare anything you want. You can see there's boxes here on the side. It's the same identical store shown in their original brief where the cropped photo said Sugar Twin is not in this marketplace. it's not a player.

Well, over here (indicating), cropped out of the original photo filed with the Court, is Sugar Twin.

To suggest it's not a player in the market is false. It is certainly not a player on the scale of Splenda. That does not mean it's not out there; that does not mean it was not there first.

This is about competition. They've got burdens they have to meet. We shouldn't blow right through them. We are going to have evidence. We will get to the point where we then can say have they met their burden. That's all defendants have asked for since the day the papers were filed, an opportunity respond, to be heard on the merits, because on the merits, it's not protectable, arguably, as functionality, which they ignore.

Certainly, from the only survey evidence you will hear, no likelihood of confusion, as their own arguments, brand name on a product, you can read it from 20 feet away. how could there be confusion? If there are, those aren't consumers that we should be protecting because they aren't

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paying attention in the store, and one can only do so much about that.

Competition is what they fear. Competition is what they are seeing from saying "with sugar" at a lower price point. And, your Honor, the evidence we suggest is going to show that that is all this is about and there is no likelihood of confusion.

Thank you, your Honor.

THE COURT: Very well.

MR. ZALESIN: If I can just take literally one minute, your Honor. You know, there are a lot of accusations of wrongdoing by counsel.

I can tell you that that photograph was not cropped deliberately to eliminate Sugar Twin. We have never represented to the Court that there are no stores in Puerto Rico that don't sell Sugar Twin. We have said it's got a one tenth of one percent market share. It is for sale, if you look hard enough. It's out there. It's got a one tenth of one percent market share. Those are the facts as we have represented them to the Court.

That photograph was offered I believe to show that the Same and Splenda products are being shelved directly next to each other, and those are the facts. There are no misrepresentations going on here. I think as the proof goes forward, you will see who is being honest and who is being

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Beatriz Sifontes - Direct (Sanchez)

dishonest in this case

Thank you.

THE COURT: We are going to take a five-minute recess and I will be back.

(Whereupon, a short recess is taken.)

MS. SANCHEZ: We are going to call Beatriz

Sifontes.

May I, your Honor? Good morning.

Whereupon,

BEATRIZ SIFONTES.

was called as a witness, and after having been previously duly sworn, was examined and testified as follows:

DIRECT PEAMINATION

BY MS. SANCHEZ:

O. Good morning.

Will you please state your name for the record.

A. Yes

Beatriz Sifontes.

- And can you tell me what you do for a living.
- I am the translations manager for McConnell, Valdes.
- Have you recently purchased a package of Merisant's yellow Same product?
- A. Yes, I have
- And can you tell me about that.

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Beatriz Sifontes - Direct (Sanchez)

A.

I was shopping in my usual fashion at the supermarket. and when I went through the aisle for the sweeteners, I grabbed my sweetener --

Q. Which is your sweetener?

Splenda. A.

Okay. Q.

Let me --

MS. SANCHEZ: May I approach, your Honor? THE COURT: Yes.

BY MS. SANCHEZ:

Let me show you what we have marked for identification as Plaintiffs' Exhibit 1. I will give you your own copy.

MS. SANCHEZ: I also have color copies for the record to make it easier, which is 1(a).

BY MS. SANCHEZ:

- Is this -- does this box, Exhibit 1(a), represent your sweetener, as you called it?
- Yes, this is what I usually buy.

MS. SANCHEZ: I'd like to offer into evidence Exhibits 1 and 1(a).

22 BY MS. SANCHEZ:

23 Q. Please go ahead. What happened next?

24 A.

So, I went back home, we put everything away. And

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	Beatriz Sifoutes - Direct (Sanchez)	7	Beatriz Sifontes - Direct/Cross	38
1	then the next morning when I wake up, my usual routine: I	1	Q. And you confused this Same product for your usual	
2	take my coffee, I grab my sweetener, I pour it in the coffee		sweetener, which is Splenda.	
3	and I taste the coffee and I drink it.		A. Yes, I did.	
4	And that's when I figured out that it wasn't Splenda,	4	MR. LoCASCIO: Objection, your Honor. Leading the	
5	when I took a sip out of the coffee.	5	witness.	
6	Q. So you had bought what you thought was Splenda at the	6	THE COURT: Can you rephrase that question?	
7	store	7	MS. SANCHEZ: I was just trying to wrap it up.	
8	A. Exactly.	8	BY MS. SANCHEZ:	
9	Q and when you got home, it wasn't Splenda.	9	Q. Why did you buy the yellow Same brand if your usual	
10	A. It wasn't.	10	brand is Splenda?	
11	Q. What was it?	11	A. Okay, I did that because I went through the aisle. I	
12	A. It was Same.	12	am very used to buying always the same products. I it's	
13	MS. SANCHEZ: And if I could approach again, your	13	my routine at the supermarket. And when I grabbed the box,	
14	Honor.		I was sure that I had the hold of Splenda. I realized that	
15	THE COURT: Um-hmm.	15	it was not Splenda the next day when I tasted the coffee,	
16	BY MS. SANCHEZ:	16	and I realized it tasted like NutraSweet.	
17	Q. I'd like to show you what has been marked for	17	MS. SANCHEZ: I have no further questions, your	
18	identification as Plaintiffs' Identification 2.		Honor.	
19	MS. SANCHEZ: I have one for the witness and one	19	THE COURT: Mr. LoCascio?	
20	for you.		MR. LoCASCIO: Thank you, your Honor.	
21	And I also have as Exhibit 2(a) a color photocopy.	21	CROSS-EXAMINATION	
22	BY MS. SANCHEZ:		BY MR. LOCASCIO:	
23	Q. Miss Sifontes, is Plaintiffs' Exhibit 2 the Same	23	Q. Good morning.	
24	product that you bought?		A. Good morning.	
25	A. Yes.	25	Q. Is it Miss Fontes?	
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	Beatriz Sifontes - Cross (LoCascio)		Beatriz Sifontes - Cross (LoCascio)	40
1	A. Miss Sifontes.	1	Q. Let me talk about that a little bit, Miss Sifontes.	
2	Q. Sifontes.	2	Am I correct that you went on your normal grocery	
3	A. Yes.	3	shopping trip, and that's when this alleged incident	
4	Q. Miss Sifontes, you indicated you work at the	4	happened?	
5	McConnell, Valdes law firm, is that correct?		A. Yes.	
6	A. Yes, I do.	6	Q. Where do you go grocery shopping, normally?	l
7	Q. That's the law firm that I will only call her Dora,	7	A. Pueblo Supermarket at Señorial. Usually. Sometimes I	
8	because I will get it wrong if I try to pronounce her last		go other places.	
9	name. She's a lawyer for the plaintiffs in this case,	9	Q. Your normal grocery store is the Pueblo in El	
10	McNeil, correct?		Señorial?	
11	A. Yes, she is.	11	A. (No response.)	
12	Q. So you work for the law firm that the plaintiffs have	12	Q. And is that where you allegedly bought Same with sugar	
13	as their lawyers, correct?		instead of what you intended to buy, Splenda?	
14	A. Exactly.	14	A. That's where I think I did buy it.	
15	Q. Okay.	15	Q. Okay, fine.	1
16	In your declaration are you familiar with your	16	You say in your affidavit that that's where you bought	l
17	declaration in this case?		it. Is that where you bought it?	l
18	A. Yes, I am.	18	A. I well, yeah. I mean, I think that's where I	1
19	Q. You never mentioned you work for McConnell, Valdes in	19	bought it. This happened two months ago or so. I don't	
20	your declaration, did you?		know, in January or so.	1
21	A. No.	21	Q. On your normal grocery trip.	- [
22	Q. Did you write your declaration yourself?	22	On my normal grocery trip.	
23	A. No.	23	 Q. So you go to the grocery store, and were you in a 	
24	Q. The lawyers wrote it for you, correct?	24	hurry?	1
25	A. Yes.	25	A. A little bit, yes.	
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		Beatriz Sifontes - Cross (LoCascio)	43	
1	A.	No, a cart.		
2	Q.	And when you put it in the cart, you didn't see the		
3	name on the box, correct?			
4	A. I didn't look at it.			
5	Q.	And then at some point you finished your shopping, and		
6	the Pueblo has a conveyor belt at the register, right?			
7	A.	Um-hmm.		
8	Q.	And did you take it out yourself, or did someone do it		
9	for y	ou?		
10	A.	I took it out myself.		
11	Q.	And you didn't see that it was Same with sugar, as you		
12	claim.			
13	A.	I don't look at it. I really do this very, very,		
14	very, very routinely. I just go (indicating).			
15	Q.	Did you bag your own groceries, or does the Pueblo		
16	have someone bag them for you?			
17	A.	If there is someone to bag it for me, I'll let them		
18	bag it for me, usually. If it's a big if it's a big			
19	purchase, then I'll claim for a bagger.			
20	Q.	Do you remember if you bagged your groceries yourself		
21	that day?			
22	Α.	No, I don't. But probably I didn't.		
23	Q.	And then when you got home, am I correct that you put		
24	the box in a cupboard or in a cabinet somewhere?			
25	A.	I didn't put it in myself. The cleaning lady did.		

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- 1	Beatriz Sifontes - Cross (LoCascio)					
1	Q. So someone else unpacked your groceries for you, your					
2	cleaning lady.					
	A. Yes. Yes.					
4	Q. But then in the morning you got up and you opened the					
5	cabinet to where you normally keep the Splenda.					
6	A. Um-hmm.					
	Q. And there was a box in the cabinet, right?					
	A. There is a yellow box in the cabinet.					
9	Q. And you didn't look at what the box said, right?					
10	A. No. The box is usually placed like this (indicating)					
11	in front of me, and I it's in the upper left-hand corner,					
12	so I don't really read it. I just grab a hold of it like					
13	that (indicating), open it, and pour it in the coffee.					
14	Q. You grabbed the box or the packet?					
15	A. No, the packet from inside the box. And I try to open					
16	the box right there.					
17	Q. You grabbed the packet from what you say was Same with					
18	sugar, correct?					
19	A. Yes.					
20	Q. And you didn't read that the packet said "Same" on it;					
21	is that right?					
22	A. Not at six o'clock in the morning, no.					
23	MR. LoCASCIO: May I approach?					
24	May I ask you to hand that to the witness?					
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	Beatriz Sifontes - Cross (LoCascio)	45	Beatriz Sifontes - Cross (LoCascio)	46
1	BY MR. LoCASCIO:	1	A. If I have the wastebasket near me, I'll throw it out.	
2	Q. This is a packet of Same with sugar. Do you recognize	2	If I don't have the wastebasket near me, I leave it up	
3	that?	3	there, right there, and I kind of – um –	
4	A. Well, I see it. What do you mean if I recognize it?	4	Q. Crumple.	
5	Q. Have you ever seen one before?	5	A crumple it and then I wait for the cleaning lady to	
6	A. Yes. Yes.	6	pick it up. It all depends.	
7	Q. Where had you seen it before?	7	Q. In this instance, the time you say that we are	
8	A. I am not sure. Probably at home.	8	talking about here, do you remember if you threw out the	
9	 Well, Miss Sifontes, when you grabbed the packet to 	9	packet or not?	
10	put it in your coffee, did you look at it and see that it	10	A. No, I don't.	
11	says "Same" on it?	11	Q. So you don't remember if you looked at it after you	
12	A. No, I didn't.	12	poured it in the coffee.	
13	Q. That packet says "Same" on it, correct?	13	A. Oh, no, I would never look at it after I pour it in	
14	A. This one says "Same" on it.	14	the coffee because I crumple it.	
15	Q. Not hard to see?	15	Q. How many packets did you put in the coffee?	
16	A. No, not at all. I don't look at the packets when I	16	A. Usually two.	
17	open them.		Q. And your testimony is that you are a Splenda user, and	
18	 So your testimony is that you opened that packet, 	18	in this case you first noticed that you put Same with sugar	
19	poured it into you drank coffee in the morning?		in your coffee from the taste; is that right? In the	
20	A. Excuse me?	20	coffee.	
21	Q. Was it coffee you were drinking?	21	A. Yes.	
22	A. Yes.	22	Q. Okay.	
23	Q. So you poured it into your coffee. Then what do you	23	A. Because Splenda, I put two Splendas in the coffee and	
24	do with the packet? Do you throw it out? Do you leave it		that's perfect. But you put two Sames in the coffee and	
25	out for the cleaning lady? What do you do with it?		it's too sweet.	
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A		47 1		40

47 Beatriz Sifontes - Cross (LoCascio) Q. 1 Miss Sifontes, are you absolutely sure you bought Same 2 with sugar in a yellow box? 3 I am absolutely sure. 4 Miss Sifontes, I am going to show you pictures of your 5 grocery store. 6 7 Q. Same with sugar has never been sold in your grocery 8 store. That's correct, right? 9 No, I don't know if it's correct or not, but that's 10 why I told you that that's where I think I did my grocery 11 shopping, because sometimes I go to Grande, which is near my 12 mother's house. 13 But in this case you swore out a declaration, and you just testified under oath that you shopped at the Pueblo in 14 El Señorial. That's what it says right here in your 15 16 declaration. 17 MR. LoCASCIO: Can you hand this to the witness? 18 BY MR. LoCASCIO: 19 You swore to this Court that you bought Same with 20 sugar at Pueblo, correct? 21 Actually, yes. Yes, that's what it says here and 22 that's what I - and I signed it. But it might - it might 23 have been Grande from Señorial. Not from Señorial, from San Francisco. 24 25 So now you are not sure where you supposedly bought

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48 Beatriz Sifontes - Cross/Redirect 1 Same with sugar, since it's not the Pueblo, since they 2 didn't sell it when you went to buy it. 3 It might have not been Pueblo, then. 4 MS. SANCHEZ: Objection. 5 I am not really sure how Mr. LoCascio knows when - he 6 can establish what dates it was sold there. 7 MR. LoCASCIO: I think she answered the question. 8 THE COURT: We need some foundation for that. 9 MR. LoCASCIO: I can confirm it, your Honor. 10 We will put on a witness to tell you that Pueblo in El 11 Señorial has, up until this week, never told a single box of 12 Same with sugar, the one Miss Sifontes shopped at, nor any 13 others. 14 No further questions. 15 MS. SANCHEZ: A few followups, your Honor. 16 REDIRECT EXAMINATION 17 BY MS. SANCHEZ: 18 Miss Sifontes, do you usually come home with the wrong 19 brand of a product? 20 No, I don't. 21 Let me ask you. Does your position at McConnell. 22 Valdes have anything to do with the testimony that you have 23 given here today? 24 A. Not at all.

And is the testimony that you gave here true and

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50 Beatriz Sifontes - Redirect (Sanchez) my mother lives there, so sometimes I just go there and that 1 2 way I go visit my mother. 3 THE COURT: Is it normal for you to go visit your 4 mother after work hours? THE WITNESS: If I have to pick up the kids who 5 6 are sometimes there, because they are at "Academia" San 7 Ignacio, which is nearby her home. I will just go pick thèm 8 up and then go to Grande. Either that or just go to Grande 9 and then go pick them up at her house. 10 THE COURT: Is there a fixed time in the week or a fixed day in the week where you do your shopping? 11 12 THE WITNESS: Not at all. And sometimes a month 13 goes by and I don't go to the supermarket. And sometimes 14 two weeks go by and I do go. So I don't have a routine in that case. I don't. 15 16 THE COURT: So you wouldn't be, you know -- you 17 wouldn't have a preference for a day in the week like 18 Saturday or Sunday to go to the supermarket. 19 THE WITNESS: Exactly, I don't. I don't. I just 20 do it when there is milk missing or meat missing or the 21 cleaning lady tells me that there is something that needs to 22 be bought and I immediately go and I buy it. And if there 23 is a very, very big purchase that I have to make, then I 24 will make it.

1 2 3 4 5 6 THE COURT: So you are excused. 7 THE WITNESS: Thank you. Good day. 8 (The witness is excused.) 9 MR. ZALESIN: May we call the next witness, your 10 Honor? 11 THE COURT: Yes. 12 MR. ZALESIN: McNeil calls Miss Debra Sandler. 13 May I proceed, your Honor? 14 THE COURT: Yes. 15 Whereupon. 16 DEBRA SANDLER 17 was called as a witness, and after having been previously 18 duly sworn, was examined and testified as follows: 19 DIRECT EXAMINATION 20 BY MR. ZALESIN: 21 Q. Good morning, Miss Sandler. 22 A. Good morning. 23 Q. What do you do for a living? 24 A. I am the worldwide vice-president of marketing for 25 McNeil Nutritionals.

BARBARA DACHMAN, RPR, OCR

52 Debra Sandler - Direct (Zalesin) 1 Q. What is McNeil Nutritionals? 2 McNeil Nutritionals is a division of plaintiff McNeil-PPC, Inc., and that division is a wholly owned 3 4 subsidiary of Johnson & Johnson. 5 Q. Okav. 6 And what kind of business is McNeil Nutritionals in? 7 We are a nutritionals company and we -- I market 8 Splenda, Lactaid, which is for dairy digestion, Viactiv, 9 which is a calcium supplement for women, and Benecol, which 10 is a - for heart health. 11 Okav. 12 And you say that McNeil Nutritionals is a division of 13 McNeil-PPC. What other world-known products does McNeil-PPC 14 15 A. McNeil-PPC markets Tylenol. That is perhaps our --16 that division's single largest product. 17 Aside from your position as worldwide group 18 vice-president of marketing, do you have any other roles or 19 positions within McNeil? 20 Yeah. I am the worldwide group vice-president of 21 marketing. I also am the chairperson for operating board. 22 Sort of function as the chief operating officer, if you 23 will, for McNeil Nutritionals. 24 Q. Okay. 25 Can you give us a brief summary of your professional

BARBARA DACHMAN, RPR. OCR

THE COURT: Very well.

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career?

A. Sure.

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I have worked for approximately 20 years in consumer packaged goods marketing. The majority of my career I spent at PepsiCo, about 13 - about ten or 12 years in beverage marketing for Pepsi Cola Company, and then for their restaurant division, PepsiCo Restaurant Group, and then came to Johnson & Johnson about five years ago. And so I have worked on a series of consumer products.

Debra Sandler - Direct (Zalesin)

Have you been involved with the Splenda brand since it was launched in the late nineties, 2000?

Yeah

Lioined McNeil Nutritionals in 1999 -- 1998 -- I apologize -- and worked on the launch of Splenda.

Can you give us a brief summary of your educational background.

Α. Sure.

I hold an undergraduate degree in international trade from Hofstra University in Long Island. And I have -that's a Bachelor of Business Administration. And I hold a Master of Business Administration from NYU Stern School of Business.

Let's talk a little bit about the no-calorie sweetener market. First of all, what are no-calorie or artificial sweeteners?

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Debra Sandler - Direct (Zalesin)

A. They are basically sugar substitutes that are offered for sale for consumers who choose to, for whatever reason, to substitute for sugar. The market size is approximately just under 600 million, about 580 or so million dollars in the U.S. -

Q. When you say the market size, that's the annual sales in that category?

A. The annual sales, yes.

Q. Okay.

And how are these products typically sold or distributed?

They are typically sold in a number of ways, but primarily on supermarket shelves, and that is that sort of \$580 million figure. But they are primarily sold in supermarket shelves in the sweetener, cooking, or baking aisle.

Q. And what kind of packaging do they come in?

They typically come in packets. The category is largely a packet category, and there is historically -prior there must have been a very small percentage of granular, but it's largely a packet category. Consumers buy the packet and they use them to sweeten, you know, coffee, tea, beverages, and so forth.

What are the leading brands in the United States in the no-calorie sweetener market?

BARBARA DACHMAN, RPR, OCR

Debra Sandler - Direct (Zalesin)

Today, Splenda actually is the leading retail brand in the U.S. market. The other two primary competitors are Equal and Sweet'N Low.

Okay.

And do they contain the same ingredient or different ingredients?

No, actually each ingredient is quite different. Each product, each brand is quite different.

Actually, the very first product to be launched in the market to really establish the sugar substitute category was Sweet'N Low, and that was actually made from saccharin.

Q. Okay.

Do you recall approximately when that took place?

They are the oldest. They have been - I want to say almost 50 years ago, maybe about 1957.

Okay, what came next?

A. That was followed, almost 25 years later, about 1982. Equal was launched, and then Splenda came, again, in 1999.

What is the ingredient in Equal?

Equal, the primary ingredient there is aspartame. So the category is saccharin is Sweet'N Low, aspartame is Equal, and then Splenda came later and that uses a unique ingredient called sucralose.

Q. Okay.

Now, you said that Sweet'N Low is the leading

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saccharin brand. Are there other brands of saccharin marketed?

Yeah. Like any other industry, there are a series of sort of private label store brands. Nothing -- no, nothing major. No other leading brand.

Q. Okay.

The saccharin brand in the category is Sweet'N Low. A.

And how about with respect to aspartame that you told us that Equal is the leading brand? Are there other aspartame products that compete?

Yes, there are other aspartame products that compete, but again, the sales are predominantly led by Equal. But there are some other smaller brands, some owned by Merisant, or other store brands.

Q. Okay.

Why don't you tell us a little bit about Splenda. Does that have either saccharin or aspartame in it?

It's completely different. In much the same way that aspartame is different to saccharin, sucralose in Splenda is different to the two previous products on the market.

So the ingredient in Splenda is sucralose? 21 Q.

22 A. Sucralose.

23 Q. What is that?

> Sucralose is an ingredient that is a uniquely patented A. product that is derived from sugar. And through a patented

> > BARBARA DACHMAN, RPR. OCR

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process that McNeil and Tate & Lyle had invested many years and many dollars, we came up with a patented process to create a product that is made from sugar, and that is called sucralose, and that is the primary ingredient in Splenda.

What are the differences, if any, between sucralose and the other no-calorie sweeteners, aspartame and saccharin?

A. There is in fact a different taste -- I mean, there are a number of differences. I will tell you the two primary differences.

There is a difference in taste, obviously. But the most important is there is a difference in functionality.

Sucralose is heat stable, and this was the news, if you will, that we brought to the industry, that now you had a sweetener, a no-calorie sweetener that was heat stable but would allow you to cook and bake with a no-calorie sweetener, which heretofore had been very, very difficult, because the prior two ingredients, aspartame and saccharin, were not heat stable at very high levels of heat.

- Q. I think you mentioned before that the other products, the Sweet'N Low, saccharin type products and the Equal or aspartame products, are sold primarily in little paper packets.
- A. Yes, they are sold primarily in packets. I don't have

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the exact numbers, but I think if you looked at the sales of Equal, you will find that most of it is packet sales.

- Q. How does that break out for Splenda?
- A. Splenda is actually more like 60-40, sixty percent packets. But 40 percent of the business is what we call the granular business, which is a bit more -- something that we advise people to sort of use it to cook and bake because you don't have to worry about opening little packets. You can just sort of scoop it out or pour it out.
- Q. Okay

Tell us a little bit about the history of Splenda. When was it first introduced into the worldwide market?

A. Okay

Splenda was first introduced in 1991 in Canada, so it is still relatively new. It was introduced in Canada first. It is sold in approximately 12 countries around the world, and it was introduced in the U.S. market in 1999, September.

- Q. Are there any other retail brands anywhere in the world that contain the ingredient sucralose that is found in Splenda?
- A. No. It is a product it is a product that we an ingredient that we invested in and that we own uniquely, exclusively.
- Q. Now, to introduce sucralose and Splenda into the U.S. market, did McNeil have to get any government or regulatory

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approval?

- **A.** Yes, it was FDA approved the year before we launched in 1998, and then we launched it into the U.S. market in 1999.
- Q. And when you launched in 1999, via what distribution channels did you first offer it for sale?
- **A.** We launched in supermarkets. Again, that's the primary means of sale to consumers.
- Q. In 1999?
- A. Actually, in 19 in 1999 we launched in stores. In 1998, prior to going with what we call our retail launch, we sold the product on the Internet by way of -- through a portal at our sister company LifeScan.
- Q. Okay.
- A. So we offered some of the products that had been selling in Canada and other markets for sale in the U.S. that way.
- Q. Okay.

And did you have a package that you shipped when somebody ordered it over the Internet?

- **A.** Yeah, it was a small, sort of back-house operation. We shipped ourselves to some markets, primarily in the U.S.
- 23 Q. Let me show you Plaintiffs' Exhibit 51 and also 51(a).
- 24 A. Yes
 - Q. Can you tell us what that is?

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Debra Sandler - Direct (Zalesin)

A. This looks like our Internet package. This is what we originally sold in the U.S. market. They were shipped from our plant to consumers who ordered the product on the Internet.

Q. Okay.

You sold that in the continental United States?

- A. Continental U.S.
 - Q. Was it available outside the continental U.S.?
 - A. It was not available anyplace else. Really, it was primarily the continental U.S. As I mentioned, we had small product supply. It was just an opportunity to get some experience with consumers immediately following the FDA approval. It was never shipped to Puerto Rico.
 - Q. Okay.

Let me --

MR. ZALESIN: May I have Plaintiffs' Exhibit 71, please.

BY MR. ZALESIN:

19 Q. I will talk a little bit about the history of Splenda.
20 MR. LoCASCIO: Your Honor, just before the

MR. LoCASCIO: Your Honor, just before this goes to the witness, to the extent I'm not sure it's summarizing, I think it might be testimony she hasn't given yet.

MR. ZALESIN: This is just -- these are just bullet points. All these figures I believe are in her declaration, your Honor. This was, frankly, so she wouldn't

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MR. LoCASCIO: I don't know whether they are accurate or not. The question is --

MR. ZALESIN: Well, we can ask the witness.
MR. LoCASCIO: The question is, the witness should be asked without having information in front of her that she can read, your Honor.

There are some issues, obviously, the one she has testified to, but if we have got handouts for the witness for the things that she's about to testify on -- we can ask any question we want, but in essence we are leading the witness.

MR. ZALESIN: Your Honor, this is the kind of thing that we do all the time in court. This is just a demonstrative. This is really, simply, again, to help the witness remember. This is a slide that she helped create of bullet points that are part of her testimony.

If you want her to try it from memory first, that's fine with me, but I think it's, frankly, just disrupting the examination.

THE COURT: This was prepared by this witness?

MR. ZALESIN: Well, we can ask.

BARBARA DACHMAN, RPR, OCR

Debra Sandler - Direct (Zalesin)

BY MR. ZALESIN:

Q. Did you ask that this slide be prepared?

A. Ye

In fact, we get our data from a source — everyone gets their data — or most people get their data from a source called IRI, Information Resources Incorporated. It's generally accepted in the industry. It's to read the market share. And this data is from IRI, and I asked my marketing department to give me the latest figures in terms of share from IRI.

MR. ZALESIN: May I proceed, your Honor?

THE COURT: Yes, okay.

MR. ZALESIN: Your Honor, actually, before I go further, would it be all right if we had an understanding that exhibits that are shown to the witness without objection are automatically in evidence, as opposed to moving each exhibit into evidence sequentially, or would you prefer that we move them as they are presented?

THE COURT: Well, they have been exchanged before this hearing.

MR. ZALESIN: Yes.

MR. LoCASCIO: They have been exchanged, your Honor, and it's obviously whatever your practice or preference is. But to the extent it's often just a housekeeping matter after the witnesses come off to make

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sure they are in, I have no problem with things we have shown the witnesses and neither side objects to that are factual evidence in this case. With the demonstrative it might be a different issue; we will see how it comes out. But as a general matter, if things are going to the witness and neither side is objecting, I think it is easier for everyone to work it out.

THE COURT: They will be forming part of the record automatically, unless an objection is raised.

MR. ZALESIN: Thank you, your Honor.
THE COURT CLERK: I don't have a list.
MR. ZALESIN: Oh, we have an exhibit list

THE COURT CLERK: No, I do have the defendants'.

I don't have plaintiffs'.

THE COURT: So she can keep control, you know. (Handing.)

THE COURT CLERK: Thank you.

MR. ZALESIN: So with the first witness, Exhibits 1 and 2 were used?

MS. SANCHEZ: 1, 2, 1(a), 2(a), and 51, 5 1(a).

BY MR. ZALESIN:

Q. All right.

So tell us a little bit about the sales history of your product.

A. Okay.

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Debra Sandler - Direct (Zalesin)

The product was launched in the U.S. market, as I said, initially on the Internet. The retail launch of the product was in September of 1999.

Q. Nineteen ninety-nine or 2000?

A. I am sorry, 2000. I am getting the years confused. Please forgive me. September 2000.

And within the first 12 months we grew to a 14 percent share of the retail market.

In January of 2004, Splenda was at 45.2 share of the market. That actually is greater, as it says here, than both Equal and Sweet'N Low combined.

Q. I think you said this earlier, but is Splenda now the market leader in the United States?

A. Splenda is in fact the market leader, the retail market leader in the United States market.

Q. Okay

And there is a bullet there about weekly share. What does that refer to?

A. Well, we look at our sales on a week-to-week basis to see how the product is performing. The last data that we got was for the week of February 8th, and we ran up to a 46.7 share, so the product continues to do well in the market.

From an overall perspective, I mean, it was launched, and we got about \$32 million in sales in 2001 in the U.S.

BARBARA DACHMAN, RPR, OCR

66 Tell us about their business and specifically what It's my understanding that in the Puerto Rican market. they market Equal and NutraSweet, both products containing And they also market today a product called Same in a blue package, and now as well in a yellow package. The blue package is similar in terms of sweetener to Equal and NutraSweet, whereas Same has some of those products but also And do you know how long the blue Same product has I believe the blue Same product in fact was the market leader prior to the launch of Splenda. In terms of when it was actually launched, I don't recall, but I do know that the blue Same and the blue Equal were market leaders prior And you said that the blue Same has the same sweetening ingredient, aspartame, as Equal? The blue Same -- often in this category what you have BARBARA DACHMAN, RPR, OCR

Debra Sandler - Direct (Zalesin) are some products with similar ingredients operating, and blue Same is a value-priced version of Equal. It is a cheaper product as Same, if you will, ingredient, but offered at a value price for the consumer.

Okay.

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And just very generally, as your sales have risen in the Puerto Rico market, your sales of Splenda as reflected on Plaintiffs' Exhibit 72, what has happened to the share of Merisant's various sweetener products in Puerto Rico?

- Well, as you might imagine -- I mean, as our share of the market has grown, their share of the market has declined really considerably as well
- Let's talk about the trade dress of these various sweetener products.
- A. Sure.
- Can you tell us about the packaging for the leading sweetener brands?
- A

Would you like me to start in any particular order?

- Sure. Why don't you start with the first one, the Sweet'N Low.
- A. Okay.

Sweet'N Low -- Sweet'N Low has, as I said, been on the market the longest of all the sweeteners. It comes in a primarily sort of pink and red box. It's identified because

BARBARA DACHMAN, RPR. OCR

67 Debra Sandler - Direct (Zalesin)

> of the musical notes on it. It's got a sort of treble clef and staff on there --

Let me stop you there for one moment and distribute Plaintiffs' 6.

So 6 and 6(a).

Is this the box for Sweet'N Low?

Yes, this is.

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As you see, it's got the, you know, pink packet on there. It's got a glass of iced tea and the Sweet'N Low logo on the top with the musical treble clef. This particular box is 50 packets, called a granulated sugar substitute.

Q. And let me also show you Plaintiffs' Exhibits 26 and 26(a).

Can you tell us what that is?

A. Yeah.

This is the packet that's located inside of the box of Sweet'N Low (indicating). Primary coloring is pink and red with blue lettering.

Okay.

Now, you mentioned Equal is the leading brand of aspartame.

Aspartame, yes.

MR. ZALESIN: Can I have Exhibits 10 and 10(a), please.

BARBARA DACHMAN, RPR, OCR